



Economic Impact Analysis Virginia Department of Planning and Budget

12 VAC 30-80 –Methods and Standards for Establishing Payment Rates: Other Types of Providers

Department of Medical Assistance Services

April 12, 2007

Summary of the Proposed Regulation

Upon request by the Centers for Medicare and Medicaid Services and pursuant to Chapter 3, Item 302 NN of the 2006 Acts of Assembly, the proposed regulations will permanently change the current fee-for-service reimbursement methodology for school divisions to the cost settlement methodology.

The proposed changes have been in effect since November 21, 2006 under emergency regulations.

Result of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

Prior to July 2006, school divisions were being reimbursed for their Medicaid eligible special education health expenses based on a state-wide fee-for-service schedule. The Medicaid reimbursement covers only the federal participation amount while the local governments are responsible for the state share. Covered services include skilled nursing, psychology, physical therapy, occupational therapy, and speech language pathology services. In fiscal year 2006, approximately 95 participating school divisions received \$5.4 million in federal matching dollars for covered services. These services were provided by approximately 74 service providers to about 5,976 recipients.

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permanently change the current fee-for-service reimbursement methodology for school divisions to the cost settlement methodology.

The proposed cost based reimbursement is expected to increase the administrative costs of school divisions. Also, based on limited data, the proposed change in reimbursement methodology is estimated to generally lower per unit costs of services but the utilization of services may increase. Thus, the net fiscal impact of the proposed change in reimbursement methodology is not known with a reliable degree of certainty. However, the proposed regulations are expected to produce a significant benefit in the sense that they will allow the Commonwealth school divisions to continue to finance one-half of their costs from the federal government as the Centers for Medicare and Medicaid Services would be unlikely to provide any funding if this required change has not been made.

Businesses and Entities Affected

In 2006, approximately 95 school divisions and 74 service providers were participating in this particular Medicaid reimbursement program.

Localities Particularly Affected

The proposed regulations apply throughout the Commonwealth.

Projected Impact on Employment

The proposed regulations are unlikely to create any significant effect on current employment. However, the avoidance of possibly losing federal matching funds and consequent impact on employment could be considered as a positive economic effect.

Effects on the Use and Value of Private Property

The proposed regulations are unlikely to create any significant effect on the use and value of private property. However, the avoidance of possibly losing federal matching funds and consequent impact on the asset value of providers could be considered as a positive economic effect.

Small Businesses: Costs and Other Effects

The proposed regulations are unlikely to introduce any significant costs on small businesses. However, the avoidance of possibly losing federal matching funds and consequent

impact on the asset value of providers could be considered as a positive economic effect some small businesses.

Small Businesses: Alternative Method that Minimizes Adverse Impact

The proposed regulations are not anticipated to create an adverse impact on small businesses.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 36 (06). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.